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SUBJECT: HZDS: STILL CORRUPT, BUT MECIAR WEAKER

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Classified By: Ambassador Rodolphe M. Vallee for reasons 1.4 (b) and (d)
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¶1. (SBU) Summary. In the latest manifestation of tension within this odd governing coalition, Branislav Briza (HZDS), Director of the Ministry of Agriculture land distribution fund, resigned on November 15 under pressure from Prime Minister Robert Fico (Smer). Two days earlier, Fico demanded that the HZDS-appointed Minister of Agriculture fire Briza as a precondition for HZDS staying in the governing coalition. Recent media reports indicate that, since April, Briza had authorized grants of several lucrative state-owned properties near resort areas to claimants as restitution for properties that had been confiscated under communism. These properties were immediately sold by recipients for a tiny fraction of market value to companies close to HZDS as a precondition of the grant. HZDS leader Meciar rebelled against Fico's orders and challenged the PM in public but in the end had little choice but to accept Briza's resignation, given the serious nature of the charges. In the process, Fico has successfully weakened Meciar, but a Meciar stripped of patronage opportunities within the government will have even less reason to cooperate with Fico. End Summary.

The Corruption of Assistant Deputy Minister Briza

¶2. (SBU) On November 12, Slovak print journalists began publishing reports of corrupt activities carried out by Briza, a HZDS-appointed director of the Ministry of Agriculture land distribution fund. The fund is responsible for compensating individuals who had lost property during communism by granting them comparable state-owned lands within the region. Several contracts are in question; these are among the more detailed cases:

- In September, Briza signed an agreement granting a large property adjoining ski resorts and a golf course in Velky Slavkov, below the Tatra mountains, to a 76-year man from Michalovce in far-away Eastern Slovakia. The man sold the property to the Slovak firm GVM for 13 million SKK (550,000 USD) the following day. The property, which GVM intended to use to develop an additional ski resorts and golf courses, is valued at approximately 1.5 billion SKK (68 million USD). NGO contacts indicate that the land in question had recently been reclassified from agricultural to industrial land use by other officials within the Ministry of Agriculture and was therefore newly eligible for development. GVM's board of directors includes several figures with close historical financial ties to HZDS and its leader, Meciar.

- In April, Briza approved a contract granting a 600,000 square meter property below the ski resort town of Donovaly to an elderly Slovak-Hungarian woman from a farming village near Komarno. The intended sale of the property to a third party was delayed by objections raised by the provincial authority in charge of the fund, who provided documents

showing that the land was not eligible for restitution. By June, this controversy had subsided, and the property was sold for reportedly less than 5 percent of its actual value to Disa, a newly-formed Slovak firm comprised of developers in the region, who intended to build a new golf course.

- A large property in the central Slovak town of Viglas valued at approximately 800 million SKK (35 million USD) was granted to a 91-year old woman from Nitra, who sold the firm two days later to the firm Land Danubia for reportedly 16 million SKK (70,000 USD). Land Danubia, whose board of directors includes a long list suspect businessmen connected to several parties, intends to build an industrial park over the objections of the town's mayor.

13. (SBU) Alleged corruption at the Ministry of Agriculture land fund is nothing new. The ethnic Hungarian SMK party managed the fund under the previous administration and was criticized for negotiating similar deals for its members, albeit on a lesser scale. Also, HZDS has significant competition from Smer in its efforts to help business clientele in the Tatras through non-transparent government practices (see reftel). However, the magnitude of corruption in this case is so obvious and so reminiscent of HZDS practices during the 1990s that it places Meciar and his party in an especially bad position.

The Fico Ultimatum

14. (SBU) On the day that detailed reports of Briza's activities hit the newspapers, Fico, smart enough to recognize the political significance of the crime and welcoming an opportunity to take Meciar down a notch,

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immediately condemned the practices and ordered Minister of Agriculture Miroslav Jurena (HZDS) to fire Briza. The Prime Minister added that Smer is considering legal options for canceling the contracts. On November 13, Fico offered the following statement through his press secretary: "Briza's signatures are scandalous and unacceptable...Smer will provide all necessary cooperation to determine personal, political, and legal responsibility for this scandal. If HZDS would consider this principled position of Smer to be an obstacle for its continuing participation in the government, it will be (HZDS') decision with all the consequences." Meciar publicly refused Fico's orders on behalf of Jurena, threatening to work with the opposition to force a no-confidence vote against Fico. This bluff was toothless, as one SDKU MP told Poloff, since the opposition has zero incentive to work with Meciar on such a measure under the circumstances. On November 15, after meeting with Meciar, Briza tendered his resignation. Initial media reports indicate that SNS leader Jan Slota moderated the dispute between Fico and Meciar, facilitating the Briza resignation.

15. (SBU) Fico's quick response to the scandal at hand marked a significant departure to his government's standard operating procedure in such matters. In his press remarks, Fico was notably cooperative and almost chatty with journalists with whom he has a historically tense relationship. Uncharacteristically, he did not question the veracity of any of the news reports, even though most of the information was provided to journalists by Transparency International, an NGO that Fico dislikes and has sparred with in the past because of its ties to opposition parties. To his credit, Fico also wanted to demonstrate that Smer can and will take a firm public stance against government corruption.

16. (SBU) Smer's strong statement toward HZDS raised the ante in coalition politics, provoking local headlines such as "Fico shows HZDS the doors." All indications suggest, however, that Smer would prefer to keep a weakened HZDS in the coalition for the time being, since it does not have an replacement coalition partner immediately available.

Opposition party MP Julius Brocka (KDH) told Poloff that he believed the controversy would soon blow over, and that a Smer alliance with KDH or other opposition parties is not under serious consideration by either side. Smer nevertheless will have to manage HZDS carefully now that its primary revenue-generating program within the government will be stripped. Ironically, a weakened Meciar may be even worse for Fico over the long-run since he will have even less reason to toe the coalition line and could at some point decide that his party doesn't have enough patronage opportunities to merit staying in the government. To come to that conclusion, however, Meciar would have to be willing to face the risk of a new election in which HZDS may not get enough votes to return to parliament, thereby stripping Meciar of immunity.

Dzurinda's view

17. (C) Monitoring this all very closely is former Prime Minister Mikulas Dzurinda (SDKU), who told Ambassador during lunch that if he had Fico's parliamentary strength he would show Meciar the door. Dzurinda figures that Fico could cobble together a majority after expelling HZDS from the coalition since he needs only six votes in parliament. Fico would get three easily -- disaffected KDH MP Gabura plus HZDS dissenters Veteska and Mikus. Dzurinda said that, even if Meciar departs and Fico could not find six votes, SDKU would support a minority (Smer and SNS) government rather than push for new elections, as long as Fico grants the opposition concessions on core economic policy matters. (Note: This would be a roughly parallel situation to early 2006, when then the opposition, including Smer, agreed to let SDKU and SMK stay in power as a minority government after KDH dropped out of the governing coalition. End Note.) While Dzurinda's scenario did not play out in this instance, brewing coalition fights on upcoming issues make it likely that at some point Fico may not give Meciar the option to simply back down.

VALLEE